HORNED CATTLE FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2004

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Horned Cattle Fund as at March 31, 2004 and the statements of operations and net financial assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 7, 2004

Fred Wendel, CMA, CA
Provincial Auditor

HORNED CATTLE FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2004	2003
Financial Assets:		
Due from General Revenue Fund (Note 3)	$ 130,168	$ 180,836
Accounts receivable	46,619	44,287
Accrued interest receivable	893	1,261
	$ 177,680	$ 226,384
Liabilities:		
Accounts payable	$ 393	$ 3,774
Net financial assets (Statement 2)	$ 177,287	$ 222,610

(See accompanying notes to the financial statements)

Statement 2

HORNED CATTLE FUND
STATEMENT OF OPERATIONS AND NET FINANCIAL ASSETS
Year Ended March 31

	Budget 2004 (Note 7)	Actual 2004	Actual 2003
Revenues			
Deductions	$ 111,000	$ 76,336	$ 111,006
Less: commissions	(1,000)	(1,278)	(1,888)
Net deductions	110,000	75,058	109,118
Cattle sales (Note 6)	160,000	195,064	266,607
Interest revenue (Note 3)	6,000	3,781	4,531
Refund of grants and other	---	16,802	---
Total revenues	276,000	290,705	380,256
Expenses			
Grants	90,000	122,408	92,390
Western Beef Development Centre (Note 6)	160,000	195,064	266,607
Administration (Note 9)	15,100	15,000	15,000
Advisory committee honoraria and travel	2,500	3,511	4,388
Other	---	45	4,728
Total expenses	267,600	336,028	383,113
Surplus (deficit) for the year	$ 8,400	(45,323)	(2,857)
Net financial assets, beginning of year		222,610	225,467
Net financial assets, end of year (Statement 1)		$ 177,287	$ 222,610

(See accompanying notes to the financial statements)

HORNED CATTLE FUND
STATEMENT OF CASH FLOWS
Year Ended March 31

	2004	2003
Cash flows from (used in) operating activities:		
Receipts from deductions	$ 77,334	$ 112,423
Receipts from cattle sales	195,064	263,892
Interest and other receipts	16,343	4,291
Payments to suppliers and Advisory committee	(217,001)	(286,122)
Grant payments	(122,408)	(92,390)
Cash flows from (used in) operating activities	(50,668)	2,094
Net (decrease) increase in cash position	(50,668)	2,094
Due from General Revenue Fund, beginning of year	180,836	178,742
Due from General Revenue Fund, end of year	$ 130,168	$ 180,836

(See accompanying notes to the financial statements)

HORNED CATTLE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

1. Legislative Authority

The Horned Cattle Fund continues under *The Horned Cattle Purchases Act* (Act). The purpose of the Fund is to promote research and development in the livestock industry. The Fund is administered by an Advisory Committee established under the Act. The Committee authorizes all grant payments from the Fund subject to the approval of the Minister of Agriculture, Food and Rural Revitalization.

Dealers purchase cattle with horns from producers at market prices. Section 3 of *The Horned Cattle Purchases Act* requires the dealers to pay the producers' market price less $2.00 for each head of cattle sold with horns. Subsection 5(1) of *The Horned Cattle Purchases Regulations, 1983* requires dealers to remit the $2.00 deducted for each head of cattle less a $0.03 per head dealer commission to the Fund.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

a) Revenue

Deductions revenue and related commissions are recognized when the cattle are sold.

b) Grants

Grants are recorded when approved and when the eligibility criteria, if any, have been met by the recipient.

c) Grant refunds

Occasionally, grant recipients voluntarily return unused grant funds. Grant refunds are recorded as revenue when they are returned by the recipient.

d) Cattle Sales/Purchases

Cattle are sold on a regular basis from the cattle herd at the Western Beef Development Centre. The revenue is recognized as the cattle are sold.

Cattle purchases are made for the purpose of research and development to improve the livestock industry. Cattle purchases are recorded as expenses when cattle are delivered.

3. Due from General Revenue Fund

The Fund's money is held in the General Revenue Fund. Interest is calculated on the Fund's daily balance using the Government's thirty-day borrowing rate and is credited to the Fund on a quarterly basis. The Government's average thirty-day borrowing rate for 2004 is 2.79% (2003 - 2.62%).

4. Commitments

At year-end, the Fund's Advisory Committee approved grants totalling $42,382 (2003 - $105,908) for 2005 projects. Included in this amount is $32,382 committed to the University of Saskatchewan.

5. Swift Current Project

The Swift Current Project was established under a 1998 agreement with Agriculture Canada which expired on October 31, 2003. A new agreement was made on November 1, 2003 which expires on October 31, 2008. Under the agreement, Agriculture Canada carries out beef forage research on cattle provided by the Fund at the beginning of the project to the Swift Current Research Station (Station). The Station uses proceeds from the sale of cattle to pay for feed and care of the cattle that it uses in its research. Upon termination of the agreement, the Station will pay $30,000 to the Fund and the remaining assets will revert to Agriculture Canada. Included in the Fund's accounts receivable is $30,000 receivable from the Station.

All activities related to the cattle are those of the Station and are not shown in these financial statements.

6. Western Beef Development Centre

The Minister of Agriculture, Food and Rural Revitalization entered into an agreement with the Western Beef Development Centre (WBDC) on November 1, 2001. This agreement expires on November 30, 2006. At the conclusion of the agreement, all funds remaining in a specified account and a minimum of 300 head of cattle are to be returned to the Fund.

The agreement provides for the Fund to loan cattle to WBDC for research purposes. The estimated realizable value of the cattle herd at WBDC at year-end is $266,700 (2003 - $331,427). As a result of the identification of Bovine Spongiform Encephalopathy (BSE) in North American cattle in 2003 and the resulting volatility in the cattle market, the actual realizable value of these cattle is uncertain.

During the year, the Fund provided money from its cattle sales to WBDC to pay for the following research costs:

	Western Beef Development Centre	
	2004	2003
Feed supplements	$ 45,245	$ 57,127
Salaries	46,718	55,580
Tillage, seeding and manure removal	15,131	31,463
Cattle purchases	---	30,886
Depreciation	29,076	30,811
Equipment and building repairs	14,391	21,915
Utilities, licenses and insurance	14,982	12,677
Miscellaneous	1,928	8,704
Municipal taxes	5,785	5,902
Veterinary services and supplies	13,055	5,492
Fuel	7,121	4,391
Trucking and travel	1,632	1,659
	$ 195,064	$ 266,607

7. Budget

The Advisory Committee approved the 2004 budget on January 23, 2003.

8. Financial Instruments

Accounts receivable, accrued interest and accounts payable are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair value of these instruments approximates the carrying value.

The Fund is exposed to credit risk from the potential non-payment of accounts receivable. However, most of the receivables were collected shortly after year-end.

9. Related Party Transactions

These financial statements include transactions with related parties. The Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

The Fund made grants totalling $92,908 (2003 - $61,890) to the University of Saskatchewan.

Livestock Services Revolving Fund provided administrative services to the Fund for an annual fee of $15,000 (2003 - $15,000).

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

10. Legislative Change

On June 20, 2002, *The Horned Cattle Purchases Amendment Act, 2002* (Act) was assented to by the Lieutenant Governor of Saskatchewan. This Act contains amendments to the current legislation. Under these amendments, the deductible amount will increase from $2 per head to $10 per head for cattle sold with horns. The increase will be effective when the Act is proclaimed. The Act has not yet been proclaimed.

HORNED CATTLE FUND
DETAILED LIST OF EXPENSES (UNAUDITED)
For the Year Ended March 31

	2004	2003
Personal Services:		
Board member costs	$ 1,300	$ 1,345
Travel:		
Other	2,211	2,196
Grants:		
University of Saskatchewan:		
Project Funding	55,408	24,390
Veterinary Infectious Disease Organization	37,500	37,500
Saskatchewan 4-H Council	5,000	---
Farm Animal Council of Saskatchewan	7,500	7,500
Saskatchewan Society for Prevention of Cruelty to Animals	10,000	15,000
Saskatchewan Agriculture Hall of Fame	500	500
Canadian Western Agribition	6,500	7,500
	122,408	92,390
Supplier Payments:		
Western Beef Development Centre	195,064	266,607
Payees under $20,000	15,045	20,575
	210,109	287,182
	$ 336,028	$ 383,113